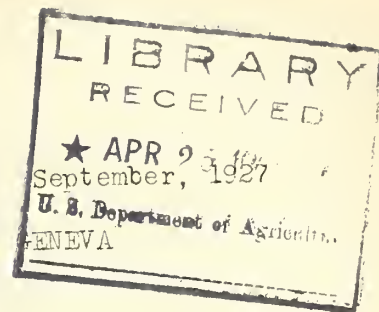


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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
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Report F S 36

AGRICULTURE AND THE WORLD ECONOMIC CONFERENCE AT GENEVA

The World Economic Conference, which met in Geneva in May, 1927, was attended by representatives of 50 countries 1/. Its primary object, as laid down by the President of the Conference, was to discover and analyze the causes of the economic ills prevalent in the world and to attempt to find remedies therefor. It was hoped thus to promote world peace as well as prosperity. The report of the Conference is divided broadly into two parts, the first covering a general review of the world economic position and the second dealing specifically with the three subdivisions of commerce, industry and agriculture. It is of particular significance that here, for the first time, as President Theunis, Belgium, remarked, agriculture was represented side by side with industry and commerce in such a way that it can take its place in a general review of the economic situation in the world.

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- 1/ Members of the American Delegation of the World Economic Conference were
Henry M. Robinson,
President of the First National Bank, Los Angeles,
and Member of the Dawes Commission.
Norman H. Davis,
Formerly Assistant Secretary of Treasury and Under-
Secretary of State.
John W. O'Leary,
President of the United States Chamber of Commerce.
Alonzo E. Taylor,
Director of Food Research Institute, Stanford
University.
Julius Klein,
Director, Bureau of Foreign and Domestic Commerce,
U. S. Department of Commerce.
Mr. Asher Hobson, American Delegate to the International Institute of
Agriculture at Rome, joined the delegation as an adviser on agriculture.

Before taking up the report of the Committee on Agriculture, it will be of interest to examine briefly some of the more important points made in other parts of the report which have a bearing upon agriculture, and particularly upon the trade in agricultural products. In the first place, particular emphasis is placed upon the interdependence of nations, industries and classes. The attempt to seek prosperity by a policy of economic isolation is proclaimed a failure, it having become apparent that prosperity in order to be lasting must be general. Among the causes of the world economic depression brought about directly by the war are mentioned: (1), the disorganization of finances and the depreciation of currencies in many countries; (2), the shortage of capital and the high rates of interest, especially in Central Europe and, (3), the imposition of obstructions to trade in the form of high import tariffs and export restrictions. These more or less temporary financial and economic conditions are, however, steadily becoming of less importance as factors in depressing trade and production. There were certain changes in the economic position of the various countries which are more permanent in their nature. These are: (1), the heavy annual charges of the belligerent countries for war debts and pensions which, in addition to the current high cost of armaments, weigh heavily upon national finances and cause a level of taxation very much higher in relation to resources, in European countries particularly, than before the war and, (2), the shift in public and private indebtedness between nations which must ultimately involve a change in the distribution and direction of international trade. A fundamental change in the economic situation which was merely hastened and not caused by the war has been the tendency

for non-European countries to establish manufacturing industries of their own, thus restricting the demand in those countries for European manufactured products as well as the European demand for raw products. The trade in agricultural products thus may be expected to be influenced directly to the extent that these industries utilize agricultural products as their raw materials.

In the introduction to the section of the report dealing with agriculture, certain general propositions are laid down. In the first place, it is pointed out that agriculture is the occupation of the majority of the world's workers and that the exchange of its products for those of industry form the basis of world trade. Particular attention is called to the interdependence existing between the three main economic classes, agriculture, industry and commerce, and the statement is made that one class cannot expect to enjoy lasting prosperity independently of the others. This is believed to be so because agriculture furnishes much of the raw material and foodstuffs upon which the industrial population relies, and provides also the principal market for industrial products. It is further claimed that the economic depression in agriculture is characterized by a "disequilibrium" between the prices of agricultural products and those of manufactured products and that that situation has been aggravated by the difficulty of obtaining credit at normal rates and by a great increase in fiscal charges. The conclusion then is reached that "unless practical measures are taken to restore price equilibrium, it is to be feared that sooner or later there will be a diminution in agricultural production detrimental to the welfare of mankind."

The documentary material submitted to the Conference supports the fact of an agricultural depression and points to the existence of a price

"disequilibrium", but it is not possible to find in the final report of the Conference a definite and specific statement as to what are the underlying causes of this depression. It apparently may be inferred, however, from various more or less indirect statements, that in the opinion of the Conference the basic cause of the agricultural depression relates to the underconsumption of agricultural products, caused largely by the inadequate demand in European industrial countries, rather than to overproduction. This conclusion seems to have been reached in spite of the fact that documents submitted to the Conference indicated that the world production of foodstuffs and raw materials was from 16 to 18 per cent greater in 1925 than in 1913, while the world population was only about 5 per cent greater.

Certain general recommendations are made by the Conference in the form of resolutions which are intended to indicate the means by which agriculture may be made more prosperous. In considering these resolutions it is necessary to bear in mind the fact that they are not binding and that there is no official agency authorized to put them into effect. It was hoped that they would serve as practical suggestions which might be applied by or through the League of Nations or the various Governments represented at the Conference. Difficulty undoubtedly will be encountered in making a practical application of many of the suggestions, however, because of their lack of directness. It does not seem likely that any other result could be expected in an international conference of this sort in which such a diversity of agricultural interest is represented. It is not possible, except in very general pronouncements, to embrace the points of view of tropical and temperate zone agriculture, or of agriculture in the

old established and more or less industrialized nations and that in the newer countries.

The first of the general resolutions states that "the Conference regards as a vital economic question the increase of agricultural production and with this in view the placing of agriculture on an equal footing with industry by enabling agriculturalists to obtain a satisfactory living and a normal return for their labor and on their capital." This generalization is followed by a second resolution which states that the improvement of agriculture must depend primarily upon the work of the agriculturalists themselves in reducing the costs of production, by the adoption of technical improvements in crop production and stock breeding, and in improving the marketing, particularly by means of standardization, of agricultural products. In this connection the agricultural co-operative associations are commended.

With respect to legislative action, the Conference points out that social laws ensuring the welfare and security of workers would be no less desirable for agricultural workers than for industrial employees. Such laws would have to be adapted to the special requirements of agriculture. Agricultural instruction and technical training should receive the attention of the various governments.

The desirability of removing all hindrances to the free circulation of agricultural products is pointed out "in so far as their removal does not endanger the vital interests of the different countries and their workers." In regard to customs tariffs, the Conference recommends the reduction of customs protection both for agriculture and industry "to the lowest possible point indispensable to production." The importance of

maintaining an equitable balance between industry and agriculture in this respect is emphasized. The abandonment of prohibitions and export duties and of the practice of frequent changes in customs tariffs is strongly urged.

In the remaining general resolutions, the Conference stresses the desirability of stable prices, but gives no indication as to how stability is to be achieved; deplores the practice of attempting to find remuneration through speculation and, lastly, recommends that in all investigations and discussions of the League of Nations dealing with economic questions, agriculture be given a place "proportionate to its importance as a social and economic factor."

Certain special resolutions are also made, largely in amplification of the general resolutions already outlined.

The apparently increasing use of such forms of agricultural co-operation as marketing organizations and supply, credit and production societies is endorsed by the Conference in the belief that they increase the purchasing power of agriculturists; further economic progress by increasing productivity and improving quality, and, lastly reduce the costs of distribution by assisting in the organization of marketing methods. The suggestion is made that agricultural cooperative societies "will contribute to a still greater rationalization of economic life in proportion as they develop their relations with consumers' cooperative societies."

The further suggestion is made that "international agreements between cooperative agricultural organizations with regard to a number of products might be of value in placing markets on a sound basis, in regularizing production and stabilizing prices at levels satisfactory from the point of view of the balance between production and consumption." In the

phrase "regularizing production" may be found the closest approach the Conference makes to suggesting the desirability of some control of production. In other parts of the report much emphasis is placed on the necessity for increasing production. The report is rather vague as to what products such agreements as outlined might apply. The final suggestion in regard to cooperation has to do with the desirability of creating a committee representing national and international organizations of agriculturalists and consumers which would be charged with the promotion of research and would otherwise assist in the development of cooperation.

The lack of adequate provision for agricultural credit in many countries and the resulting disadvantageous position of agriculturalists is noted by the Conference. The organization of suitable credit institutions, preferably cooperative credit societies, within such countries and the international cooperation of these national societies in providing credit wherever capital is insufficient, is recommended.

An international campaign is urged against diseases affecting plants and animals. In this connection it is stated that in cases of international agreements establishing sanitary supervision, any "suspicion of disguised protection" should "without infringing sovereign rights" be removed. An investigation of the best means of encouraging agriculture in tropical and sub-tropical colonies is recommended, and also a special study of forestry to the end that the needs of industry may be regularly satisfied.

The last of the special resolutions in the report on agriculture deals with agricultural statistics and points out the present incompleteness of such data. In order to provide a basis for the analysis of the

economic problems of agriculture, it is recommended that a committee of experts be established to study and prepare "an exact system of farm accounting." The Conference points out the need for better service on periodical agricultural statistics, especially as regards livestock and animal products, and commends the plan of the International Institute of Agriculture for a world agricultural census. Provision should be made for the speedy transmission to agriculturalists of information on harvests, stocks and the movement of different commodities. Indexes of comparative prices of agricultural and industrial products and of the principal elements of the costs of production of agricultural products are stated to be of great value. The attention of the governments of the various countries is called to the desirability of making a general inquiry into the present status of agriculture and of looking into "the economic, social, financial and technical conditions of agriculture, the study of which will permit further progress to be made."

Following is the full text of the general and special resolutions on agriculture submitted to the Conference by the Agricultural Committee.

GENERAL RESOLUTIONS

1. The Conference regards as a vital economic question the increase of agricultural production, and, with this in view, the placing of agriculture on an equal footing with industry by enabling all those engaged in agriculture to obtain a satisfactory standard of living and a normal return for their labour and on their capital.

It is important that this necessity should be brought home to public opinion, which does not always realise the true situation of agriculture and too often regards it as an industry of secondary importance.

2. The improvement of agriculture must in the first place be the work of the agriculturists themselves. The general adoption of technical improvements, the scientific organisation of production and stock-breeding, of the campaign against the diseases and the enemies of plants and animals, of marketing, of the standardisation of agricultural products in the interests both of the producers and consumers, of the search for outlets, and of credits and insurance, will permit agriculturists to reduce

their costs of production in their own interests and to the benefit of consumers.

Owing to the considerable number of small and medium-sized agricultural undertakings - the tendency towards concentration displayed in industry being absent - the organisation of agriculturists should be continued along the lines of association and co-operation which have already been tested in many countries; it may with advantage be supplemented by agreements between agricultural and consumers' co-operative societies.

It is to the interest of Governments to encourage agriculture and the agricultural associations which have as their object the improvement of the situation of the agricultural population. In particular, the creation and development of mutual credit would be greatly facilitated by Government assistance.

The Conference draws the attention of the Governments to the fact that high rates of interest and heavy taxation hamper production.

3. Other measures to be contemplated depend chiefly on legislative action. In particular, the Conference is of opinion that social laws ensuring the welfare and security of workers should benefit agriculturists no less than industrial workers and employees, it being understood that such laws must be adapted to the special requirements of agriculture and to the special living and working conditions of rural populations. It is also of the opinion that agricultural instruction at all stages and the technical training of agriculturists should receive the attention of the different Governments as well as of agricultural associations.

4. It is desirable that all hindrances to the free circulation of and trade in agricultural products should be removed, in so far as their removal does not endanger the vital interests of the different countries and their workers.

In those States in which Customs protection is maintained, it should be reduced, both for industry and agriculture, to the lowest possible point indispensable to production; care should be taken to assist in the maintenance of an equitable balance between industry and agriculture and not to stifle one to the advantage of the other.

The system of export prohibitions and export duties (with the exception of taxes levied for the benefit of the industry concerned) and frequent changes in Customs tariffs, which long experience has shown to be ineffectual and dangerous, should be definitely abandoned.

5. The agriculturist should find his just remuneration not through speculation but in the regularity of prices, permitting him to reckon on a legitimate return equivalent to that accorded to other producers.

6. Since, finally, the policy pursued in industrial or commercial questions reacts on the economic situation of agriculture, and vice-versa, the Conference requests the League of Nations to ensure that in all its organisations already existing or to be formed which are or may be entrusted with economic questions, a place be always reserved for agriculture proportionate to its importance as a social and economic factor.

SPECIAL RESOLUTIONS

Agricultural Co-operation: Relations between Agricultural Co-operative Societies and Consumers' Co-operative Societies.

(1) The agriculturists of the different countries contribute to the improvement of their standard of living and to the general prosperity by utilising to an increasing extent all forms of co-operation: co-operative supply societies, either for the technical or domestic requirements of members; co-operative selling organisations for the regular marketing of products; producers' co-operative societies for the intermediate processes between the production of the raw material and the sale of the finished product; co-operative credit societies to meet the need for capital (bringing equipment up to date, improving the cultivation of the soil, storage of products).

Co-operative institutions thus increase the purchasing power of agriculturists both as producers and as consumers. At the same time, they further economic progress both by increasing productivity and improving quality and also by making it possible to utilise fully the products of the soil and their by-products. Lastly, they assist the organisation of markets by methods which reduce to a minimum the costs of distribution.

(2) Agricultural co-operative societies will contribute to a still greater rationalisation of economic life in proportion as they develop their relations with the consumers' co-operative societies. Direct commercial relations between producers and consumers, and between associations of producers and of consumers, eliminate superfluous intermediaries, and when they are sufficiently widespread, result in the establishment of prices which are advantageous to both parties. In addition to material profit, there is a moral advantage; by direct commercial relations producers and consumers learn to know each other and to take account of the special characteristics and requirements of the other party. The producers' and consumers' co-operative societies learn to appreciate the value of direct relations in accordance with their common principles. The clear realisation of the possibility of mutual collaboration and mutual confidence in business transactions are essential to a practical solution of the question of direct commercial relations between producers' agricultural co-operative societies and consumers' co-operative societies - a question which has for a long time past been settled in theory.

The efforts made to achieve practical results should be furthered on the part of agriculture by the production of articles of specific quality and uniform type; on the part of the consumers' co-operative societies by the determination to buy agricultural produce as far as possible from the agricultural producers' co-operative societies; on the part of States and of public authorities by supporting the co-operative movement through the creation of chairs at universities or of other scientific institutions, the institution of public courses dealing with the co-operative movement and by a fiscal policy of abstention from discriminatory measures against co-operative societies.

Effective collaboration, if need be in the form of common undertakings, will be the easier of realisation if the producers' and consumers' co-operative societies of the different countries are already nationally organised in common economic committees.

To ensure the normal development of co-operation in all the branches in which it exercises its activities, it is extremely important that the laws which govern co-operation should be unified where such is not yet the case, and should impose the fewest possible obstacles.

3. International agreements between co-operative agricultural organisations with regard to a number of products might be of value in placing markets on a sound basis, in regularising production and in stabilising prices at levels satisfactory from the point of view of the balance between production and consumption. Such international agreements, to attain their aims, require loyal collaboration with the national and international co-operative consumers' organisations by the establishment of regular business channels and long-term contracts.

4. These efforts of agricultural and consumers' co-operative organisations should be encouraged and furthered by the creation of a committee representing national and international co-operative organisations of agriculturists and of consumers - a committee which should be entrusted with the establishment of a programme of research and documentation, as well as with the task of elucidating the lessons taught by past experience, with a view to bringing about new achievements.

Agricultural Credit

The increase of agricultural production is intimately bound up with the organisation of agricultural credit, which will place at the disposal of agriculturists the necessary capital on favourable terms.

Certain countries have at their disposal sufficient capital for agriculture, but in many countries adequate provision for agricultural credit has not as yet been made, either because saving has been diminished by the general economic conditions or because the appropriate organisations have not yet been constituted.

Such a position is seriously harmful to agriculture in the countries in question, since it prevents agriculturists from increasing their harvests, from exploiting their land to the full extent, from securing lower costs of production and from providing for contingencies arising from the very nature of agricultural production by the use of suitable equipment or of a reserve working capital.

The first condition for surmounting these difficulties is the organisation of suitable credit institutions in those countries where they do not yet exist and their development where they are already in existence. The best form of institution appears to be the co-operative credit society operating by means of resources which the very fact of association enables it to procure and to increase with or without the assistance of the public authorities.

It is, moreover, by the co-operation of national organisations that the necessary effective guarantees for appeals for credit, whether national or international, can be most easily procured.

Having had laid before it by several of its members schemes with regard to the setting-up of an international organisation capable of increasing the resources available for agricultural credits where they are as yet insufficient;

But having heard observations on that question based chiefly on the elementary consideration that credit must be secured by effective guarantees;

And being aware of the fact that the International Institute of Agriculture is collecting special information on the question of agricultural credits;

The Conference requests the League of Nations to give full consideration to the documentation of the International Institute of Agriculture with a view to examining the possibility of international collaboration in respect of agricultural credits in whatever form may be found from experience to be most suitable with a view to promoting the recovery of agriculture where agriculture is short of capital.

Campaign against the Diseases affecting Plants and Animals

Diseases which affect plants and animals diminish agricultural production, and should be scientifically combated, on the basis of an international plan and international agreements.

This international campaign has already been admitted in principle by forty-three nations, which have set up an "International Epizootic Office", and the International Institute of Agriculture is proposing to convene a special conference to bring about united international action in connection with phytopathology.

International agreements which establish sanitary supervision, if they provide the contracting countries with adequate guarantees, should, without infringing sovereign rights, remove from the regulations any suspicion of disguised protection and should add to the stability of trade relations, which is one of the conditions of successful production.

Agriculture in Colonies

The Conference recommends that an investigation be made into the best means of encouraging agriculture among the indigenous inhabitants in colonies and especially in tropical and subtropical colonies, in order to augment the prosperity of the indigenous inhabitants of those countries and to increase the general wealth.

Forestry

The Conference recommends that a special study should be made of the resources and the exploitation of forests in order to assure the regular satisfaction of the needs of industry.

Documentation on Agricultural Questions. - Statistics. - Enquiry.

(1) Great as is the value of the documentation which has served as the basis for the discussions on agriculture, it must be acknowledged that there is not yet a sufficient foundation to permit of a complete analysis of all the problems or to suggest a solution of them.

The fundamental importance of agriculture demands an exact knowledge of its economic situation. Such knowledge can only be gained satisfactorily through a methodical analysis of farm accounts. Such researches would bring about a general improvement in agriculture. They would facilitate the mutual understanding between the nations, and the common interests of the agriculturists of all countries would thereby be interpreted with precision. Finally, a better understanding would be created between the producer and the consumer.

To achieve this purpose, it is desirable that in the different countries an exact system of farm accounting should be formulated. These accounts should be drawn up in every country as simply as possible, but by the method ensuring the greatest guarantee of accuracy, so as to obtain comparable results for the different kinds of agricultural enterprises in any country, classified by climate, nature of soil, size of holding, systems of cultivation, principal crops grown etc., and so as to make it possible to study the influence exerted on the net return of agriculture by the factors of greatest importance in production and returns (wages, quantities of chemical fertilisers consumed, taxation and social charges, prices, indebtedness of agriculturists, etc.).

It is therefore recommended that a committee of experts be established charged with the study and preparation of the requisite measures.

(2) The Conference considers it necessary that a better service of periodical agricultural statistics should be instituted, especially as regards live-stock and animal products. The data collected by the International Institute of Agriculture show that, during the last twenty-five years, only thirty-seven countries, representing less than half the total area and about 30 per cent of the population of the world, have as yet proceeded to the compilation of an agricultural census.

A world agricultural census on the lines proposed by the International Institute of Agriculture would make it possible to give to the statistical data of the different countries a character of uniformity which up to the present they have lacked.

It is no less necessary to organise, nationally and internationally, the speedy transmission to agriculturists of information on harvests, stocks, consumption, and the movements of different commodities, these being important factors in the formation of prices. The monthly publication of indices of comparative prices of agricultural products and industrial products would prove of great value, as would indices of the principal elements of the costs of production of agricultural products.

(3) The Conference requests that all Governments should be invited to initiate a general enquiry into the present situation and the possibilities of developing agriculture, the distribution of holdings and the systems of exploitation, into the relations between agricultural and industrial production, into the comparison between agricultural and industrial prices, into the cost of production and selling prices, into the condition of the workers and into the facilities required for their access to the land, etc.- in fact into the economic, social, financial and technical conditions of agriculture the study of which will permit further progress to be made.

